

APRIL MONTHLY HIGHLIGHTS

REGION 5

| I. <u>VOLUME (5/12/93)</u> | <u>Month</u> | <u>YTD</u> | <u>% Change YTD</u> |
|----------------------------|--------------|------------|---------------------|
| Marlboro | 440.6 | 5,333 | -21.7 |
| Premium | 168.8 | 2,215 | -25.6 |
| Discount | 313.9 | 2,896 | 66.6 |
| Famous Value | 144.8 | 1,343 | 96.3 |

II. PM U.S.A. BRANDS

A. New Products

Marlboro 5-Pack

Where packing is priced under \$10.00, movement is steady. The Marlboro B3G2F negatively impacts the sale of this packing. The \$2.00-off Marlboro 5-pack promotion should help alleviate excessive inventory levels.

Basic

The recently introduced 75¢ distribution incentive allowance coupled with the extension of gratis has enabled us to expand distribution, and in many cases, obtain a competitive price advantage at retail. There remain many instances where we are disadvantaged, such as at Costco where we are at a 76¢ per carton differential between Basic and RJR's Bonus Value. Some resistance still exists from retailers not to carry multiple Deep Discount brands.

B & H Special Kings

At this time, the brand is all but dead and won't be revived even with 2 for 1's. Accounts have lost confidence in the brand and are not reordering.

B. Full Margin

Marlboro Adventure Team

The second edition catalog was very well timed and has helped to negate a big splash from Camel's new 1993 catalog. The MAT B3G2F Promotion has been extremely well received at retail with all allocated product sold during the first wave and we continue to finalize sell-in of the second wave. Excellent consumer response to the FSI \$4-off Marlboro in the Sunday paper, 4/25/93.

Region VPR Program

Sell-in of the Region Promotion is progressing well. This promotion is very timely in that we are able to immediately respond to all RJR initiatives where they are targeting the MLP Program. Using this promotion along with an immediate tie-in to the MLP enables us to promote Marlboro for an extended window and thereby tying up retailer inventory dollars. There are many concerns over the nature of the wrap as it pertains to scanning stores. The wrap functions as a coupon, causing confusion at the retail level. The UPC scans as a debit (coupon) rather than a price. Apparently the technology needed to scan this type of UPC is not predominately available. The most functional use of UPC codes for this type of promotion would be a UPC printed on the outside of the sticker that would scan as a special two or three pack code. The danger as it exists is that a retailer will treat these UPC's as coupons. The process as it exists requires the cashier to peel off the sticker, scan the product and scan the UPC for the deduction. We have no chain accounts where this process is preferred over a simple 2-Pack/3-Pack code.

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The lack of POS materials has led us to find our own materials for price call outs. We are utilizing temps from Kelly Services to assist in placing wraps however, it is a time consuming process as it is taking a SR and temp approximately 20 minutes to wrap 30 cartons. VPR stickers are all pre-printed with 75¢ off and this is confusing in accounts where we are co-funding. A suggestion for a future promotion of this nature would be to leave the pricing area blank so SR's can label the price. Some accounts have complaints on the number of promotions in such a short period of time.

III. COMPETITIVE ACTIVITY

A. R. J. Reynolds

In response to MLP, RJR will have a Winston summer promotion at \$4.00 off carton/ 40¢ off pack. Direct Customers beginning 5/17 through 6/11 may purchase all styles of Winston which are specially marked \$4.00 off carton/ 40¢ off pack and utilizing a special promotional UPC code. Allocations to Direct Accounts are based on past purchases from 2/1/92 through 2/26/93. The promotion window is 6 weeks, however, allocations are based on 4 weeks business. Additionally, we have heard reports that RJR will coupon Camel and Salem at store level with values ranging from \$3.00 to \$4.00.

In San Francisco's race markets RJR is working a Winston Cup auto racing, offering catalogs to win prizes for guessing the winners of the Winston Cup races. This promotion offers price discounts of 50¢ per pack and POS for Marlboro smokers to take the challenge. Also, a Winston Million Lighter collection offers five lighters with a Nascar racing theme with a 4-pack purchase. A certificate is also attached which can be redeemed for a free race ticket with the purchase of one.

In Arizona, RJR has begun to implement their reaction to our Marlboro Initiative by reducing price of Camel, Winston and in some cases, Salem at retail up to \$5 off invoice. This is creating interest and excitement with the retailers, as RJR is putting no restrictions on the program and made the buy down simple.

In Section 54, RJR has responded to our MLP Program reportedly buying down all packings of Camel and Winston \$5.00 a carton, 50¢ a pack. Sell-in is from a minimum 120 cartons to 400 cartons maximum, with Camel being the brand most actively promoted.

In the greater L.A. area, RJR is conducting a test promotion. For every \$1.00 spent on RJR products, the consumer receives a raffle ticket which represents a chance to win a mountain bike. Drawings are held every 45 days. Retailers are required to advertise in a local newspaper. We will continue to monitor and provide any additional information.

The San Francisco market reports a generic van program whereas part-timers sell Monarch to retail which has been purchased from wholesale clubs, in many cases as the cheapest cigarette.

RJR has obtained deep distribution of Camel Selects, however, retailers are stating sales are minimum.

The Sacramento market reports Extra Value, RJR's private label, at The Cigarette Stores with a retail price of \$9.97 (Kings) and \$10.27 (100's).

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B. Brown & Williamson

\$2-off VPR on GPC with unlimited quantities. Payments are paid by the Sales Force upon verification of invoices.

Reportedly paying up to \$50.00 for GPC banners in select locations.

Section 53 reports a \$30.00 payment per month per store if an account places a Viceroy banner and counter balance. Change mats offer a payment of \$5.00 per month with a maximum of four per store.

C. American

The Fresno market is offering \$5-off VPR on Montclair, having a definite advantage over other Deep Discount brands.

In Section 54, Montclair has coupons ranging from \$4.00 to \$7.00. The most aggressive deep discount locations have a maximum of 300 cartons per account. At that rate, at \$7.00, there is definite consumer interest.

Summit is offering 12 packings in the San Francisco market with a list price of \$7.34 (Kings) and \$7.59 (100's). No further details available from wholesalers.

IV. CUSTOMER DEVELOPMENT**Albertsons, Spokane Division (25 stores)**

Region VPR Program has been sold to all 25 stores with a plus-out of 168 cartons per store.

Albertsons Corporate (654 stores)

We have received the authorization to present the Region VPR Program to all Divisions.

Fred Meyer, Portland, Oregon (118 stores)

Retail Masters implementation is 90% complete. Basic will be available for stores to order beginning 5/6. However, Fred Meyer has recently accepted RJR's Monarch and will be priced equivalent to Basic. Best Buy will continue to be carried and sold at the lowest deep discount price. Fred Meyer has accepted participation in the MLP from 5/24 through 6/20.

Plaid Pantry, Portland, Oregon (102 stores)

Plaid Pantry has accepted the Region Initiative and will be running 3 packs of Marlboro at \$1.96. However, Camel will be running a similar promotion during the same time frame.

Costco, Kirkland, Washington (87 outlets)

A prototype for the Costco signage was sent in the week of 4/19/93 and will be presented for final approval during the first week of May. Marlboro 5-Pack fixture remains on hold due to lack of sales.

Southland, Northwest Division, Portland, Oregon (431 stores)

Store owners signed up to the CVC Program are unhappy with the carton portion of this program in terms of maintaining self-service cartons. 7-Eleven is choosing to sign to Retail Masters are not required to maintain self-service cartons.

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Vons, Arcadia, CA (343 stores)

Vons will be a participating sponsor for the Virginia Slims Tennis Tournament of Los Angeles. They will place a Virginia Slims water bottle floor display in 322 stores during the 7 days of the tournament. They are very pleased to participate as a sponsor this year. Our 4-ft. Marlboro package fixture has been installed in 29 units. Anticipate 100 locations to be placed by mid June.

Albertsons, Brea, CA (94 stores)

We are encountering several problems regarding Retail Masters. AV units are being removed, Marlboro displays are being removed, and the 12-ft. NSS carton fixtures are being reduced to 8 feet.

Ralphs Grocery, Los Angeles, CA (157 stores)

Implementation of our Marlboro express checklane is targeted for July 5th. A new Retail Masters contract was signed effective January 1993 to reflect lower volume category.

Kennedy Wholesale, Glendale, CA

Accepted Basic and will be dropping Value Crest to better position themselves for Wholesale Masters activity.

7-Eleven Hawaii, Honolulu, HI (58 stores)

Basic test is going better than expected. Requested additional B1G1F wraps. This should continue to ensure steady movement during this test period.

V. SECTION/REGION EVENTS

The Alvin Ailey Dance Troupe was hosted in Sacramento on April 27. It was well attended by customers who enjoy the performance as well as the reception.

We participated in a local Mobil trade show in La Jolla, CA. We are in the process of responding to 40 request forms filled out at this trade show.

The Long Beach Grand Prix took place this period. Conducted a POS blitz April 15th and 16th. Over 800 pieces of POS were placed in the surrounding area. This event was very well received by our accounts who were very appreciative of the invitation, support, and activity.

VI. ORGANIZATION/PERSONNEL

One SR was hired from USC via the college recruiting program.

VII. MISCELLANEOUS

In the San Francisco market, distributors are expressing concerns over Retail Masters signing in wholesale clubs and contemplating opening their House to a cash and carry to be able to receive the benefits of both Wholesale and Retail Masters.

The state of Hawaii has gone to a flat rate tax. The tax rate will be 60¢ per pack on July 1st and 70¢ in July of 1994. This change from the ad valorem will decrease the price gap between full margin and deep discount packings in the state of Hawaii.

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